



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Authorizing \$250,000 in Public Benefit Program Funds for the Energy Efficiency Financing Pilot Project and Authorizing the Electric Utility Director to Administer the Project

MEETING DATE: October 20, 2010

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt resolution authorizing \$250,000 in Public Benefit Program funds for the Energy Efficiency Financing Pilot Project and authorizing the Electric Utility Director to administer the Project.

BACKGROUND INFORMATION: In an effort to enhance customer participation, pursue energy efficiency/conservation projects and put available Public Benefits Program funds to work, the Electric Utility Department (EUD) has created the Energy Efficiency Financing Pilot Project.

The Pilot Project involves establishing a loan fund, from which G2 electric utility rate commercial/industrial customers may borrow money to implement energy conservation projects at their respective facilities. EUD serves 372 G2 customers. G2 customers are those who use over 8,000 kWh in a month but do not use 400 kWh in any hour. These businesses run the gamut from grocery stores to mid-sized industrial customers to restaurants and service stations.

Currently, two California electric service providers have implemented financing programs: San Diego Gas & Electric (SDG&E) and Southern California Edison. Meanwhile, the City of Palo Alto is investigating an on-bill financing program.

SDG&E's program, which EUD is attempting to model, has been in effect since June 2008, and has loaned in excess of \$9 million to 420 commercial/industrial customers for energy conservation projects, while keeping defaults at a minimum (less than 1 percent). An additional \$5 million in loan applications have been submitted to SDG&E staff in recent months. The typical loan of SDG&E customers ranges from \$20,000 to \$34,000.

As proposed, the Pilot Project will provide zero-interest loans, for a term of up to 24 months (duration of the loan will be determined by the projected monthly energy savings in dollars). All loans will be distributed on a first-come, first-serve basis once the EUD-approved energy efficiency project is installed and confirmed operational. Loan amounts are capped at \$50,000 per customer of record. The customer must have been current on City of Lodi utility bills for the prior 18-month period to qualify for participation in the Pilot Project. The customer, or its chosen third-party contractor, will receive the loan proceeds.

The energy efficiency projects approved under this Pilot Project may include, but not be limited to, the following: lighting retrofits, building envelope improvements, mechanical system upgrades, process

APPROVED:

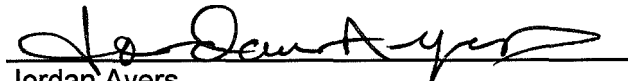

Konradt Bartlam, Interim City Manager

equipment retrofits, and energy management system installations. All applications for energy efficiency projects must be accompanied by the customer projected annual energy savings, potential maintenance savings and manufacturer's cut sheets on proposed equipment. Staff anticipates annual energy savings derived from the Pilot Project to exceed 300,000 kilowatt hours (this figure could increase depending upon total customer participation and the energy efficiency measures installed), a customer savings of approximately \$45,000 per year.

A total of \$893,410 was budgeted for Public Benefits programs in FY 2010/11. This additional \$250,000 comes from the fund balance, which was \$3,223,432 as of June 30, 2010. Loan payments will be returned to the Public Benefits Program.

FISCAL IMPACT: Increased efficiency will reduce utility revenue by approximately \$45,000 per year, and reduce the need for future electricity purchases. Funds come from the State-mandated Public Benefits Program.

FUNDING: Public Benefits Fund, Fund 164


Jordan Ayers
Deputy City Manager/Internal Services Director


Elizabeth A. Kirkley
Electric Utility Director

PREPARED BY: Rob Lechner, Manager, Customer Service & Programs

EAK/RSL/lt

RESOLUTION NO. 2010-181

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING PUBLIC
BENEFIT PROGRAM FUNDS IN THE AMOUNT OF \$250,000 FOR THE
ENERGY EFFICIENCY FINANCING PILOT PROJECT AND AUTHORIZING
THE ELECTRIC UTILITY DIRECTOR TO ADMINISTER THE PROJECT

=====

WHEREAS, the Lodi Electric Utility would create the Energy Efficiency Financing Pilot Project (Pilot Project) to encourage commercial/industrial energy efficiency; and

WHEREAS, the Pilot Project would be available to commercial utility customers assigned to the G2 electric rate class who pursue targeted energy efficiency projects and would be made available on a first-come, first-served basis.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize Public Benefit Programs funds in the amount of \$250,000 for the creation of the Energy Efficiency Financing Pilot Project in accordance with the specific regulations outlined in Attachment A and authorize the Electric Utility Director to administer the project.

Dated: October 20, 2010

=====

I hereby certify that Resolution No. 2010-181 was passed and adopted by the City Council of the City of Lodi in a regular meeting held October 20, 2010, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Mounce, and
Mayor Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk

Attachment A

The Lodi Energy Efficiency Financing Pilot Project (the Pilot Project) involves the establishment of a loan fund, from which G2 electric utility rate commercial/industrial customers may borrow money to implement energy conservation projects at their respective facilities.

The Pilot Project will provide zero-interest loans, for a term of up to **24** months (duration of the loan will be determined by the projected monthly energy savings in dollars). All loans will be distributed on a first-come, first-served basis, and only once the EUD-approved energy efficiency project is installed and confirmed operational. Loan amounts are capped at \$50,000 per customer of record, and the customer must have been current on City of Lodi utility bills for the prior 18 month period in order to qualify for participation in the Pilot Project. The customer, or its chosen third-party contractor, will receive the loan proceeds.

The energy efficiency projects approved under this Pilot Project may include, but not be limited to:

- 9 lighting retrofits;
- 9 building envelope improvements;
- 9 mechanical system upgrades;
- 9 process equipment retrofits;
- 9 energy management system installations.

All submissions for energy efficiency projects proposed to be installed must be accompanied by:

- 9 projected annual energy savings;
- 9 potential maintenance savings associated with the project;
- 9 manufacturer's cut sheets on equipment to be installed; and
- 9 completed application (signed and dated by the customer).

Loans will be secured by:

- 9 a promissory note in form satisfactory to the City Attorney;
- 9 the promissory note shall call for repayment of the note in **24** or fewer installments coincident with the immediately following **24** or fewer utility payments and authorize the City of Lodi to terminate electric service if the payments are not made.

Lodi Energy Efficiency Financing Pilot Project

Lodi City Council
October 20, 2010



Energy Efficiency Financing Pilot Project

- What is it?
- Why do it?
- How do we fund it?
- Who may participate?
- Project timeline/roll-out and questions



Energy Efficiency Financing Pilot Project: *What is it?*

- creative financing for commercial customer's energy efficiency measures
- an interest-free, unsecured loan up to \$50,000, up to 2 years
- repayment charged on customer's monthly utility bill



Energy Efficiency Financing Pilot Project: *Why do it?*

- customer service
- energy conservation
- economic development
- leadership



Energy Efficiency Financing Pilot Project: *How do we fund it?*

- \$250,000 for pilot project
- from Public Benefits Program
 - energy efficiency, renewable energy, low-income customer assistance, and RD&D



Energy Efficiency Financing Pilot Project: *Who may participate?*

- G-2 commercial/industrial customers

372 customers now on this rate

Over 8000 kWh/mo

Less than 400 kWh peak hour

- typical G-2 customers: restaurant, retail, offices, light manufacturing



Energy Efficiency Financing Pilot Project: *Timeline/Rollout*

- secure City Council approval
- finalize program documents
- direct mailer to targeted G-2 customers
- make loans on or about Dec 15, 2010



Energy Efficiency Financing Pilot Project

- For more information, G-2 customers may call: 333-6815
- Questions?

